103D CONGRESS
1ST SESSION

H. R. 1282

To provide enhanced energy security through incentives to explore and develop frontier areas of the Outer Continental Shelf and to enhance production of the domestic oil and gas resources in deep water areas of the Outer Continental Shelf.

IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 1993

Mr. FIELDS of Texas (for himself, Mr. TAUZIN, Mr. YOUNG of Alaska, Mr. LIVINGSTON, and Mr. LAUGHLIN) introduced the following bill; which was referred jointly to the Committees on Natural Resources and Merchant Marine and Fisheries

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A BILL

To provide enhanced energy security through incentives to explore and develop frontier areas of the Outer Continental Shelf and to enhance production of the domestic oil and gas resources in deep water areas of the Outer Continental Shelf.

1   *Be it enacted by the Senate and House of Representa-*

2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4   This Act may be cited as the ''Outer Continental

5 Shelf Enhanced Exploration and Deep Water Incentives

6 Act''.

SEC. 2. AMENDMENTS TO THE OUTER CONTINENTAL SHELF LANDS ACT.

(a) INCENTIVES.—Section 8(a)(3) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(a)(3)) is amended to read as follows:

''(3)(A) The Secretary, at his own discretion or on petition of a lessee, in order—

''(i) to promote development and new production on producing or nonproducing leases, through primary, secondary, or tertiary recovery means; or

''(ii) to encourage production of marginal or uneconomic resources on producing or nonproducing leases, which may include the use of primary, secondary, or tertiary recovery means,

may reduce, suspend, or eliminate any royalty or net profit share set forth in the leases. In the case of a petition of a lessee, the Secretary shall make a final determination under this subparagraph within 6 months after the submittal of such petition.

''(B)(i) Notwithstanding any other provision of this Act, except as provided in clauses (ii) and (iii) of this subparagraph, no royalty payment shall be due on new production from any lease located in water depths of 200 meters or greater until the capital costs directly related to such new production have been recovered by the lessee out of the proceeds from such new production.

1 ''(ii) Notwithstanding clause (i), in any month during
2 which the arithmetic average of the closing prices for the
3 earliest delivery month on the New York Mercantile Ex-
4 change for Light Sweet crude oil exceeds $28.00 per bar-
5 rel, any production of oil described in clause (i) shall be
6 subject to royalties at the lease stipulated rate.

7 ''(iii) Notwithstanding clause (i), in any month dur-
8 ing which the arithmetic average of the closing prices for
9 the earliest delivery month on the New York Mercantile
10 Exchange for natural gas exceeds $3.50 per million Brit-
11 ish thermal units, any production of natural gas described
12 in clause (i) shall be subject to royalties at the lease stipu-
13 lated rate.

14 ''(iv) The prices referred to in clauses (ii) and (iii)
15 of this subparagraph shall be changed during any calendar
16 year after 1993 by the percentage if any by which the
17 consumer price index changed during the preceding cal-
18 endar year, as defined in section 111(f)(4) of the Internal
19 Revenue Code of 1986.

20 ''(v) Nothing in this subparagraph shall be construed
21 to affect any requirement under this section to pay bonus
22 bids.

23 ''(vi) For purposes of this subparagraph—

24 ''(I) the term 'capital costs' shall be defined by
25 the Secretary, shall include exploration costs in-

1 curred after the acquisition of the lease and develop-
2 ment and capital production costs directly related to
3 new production, shall not include any amounts paid
4 as bonus bids or paid as royalties pursuant to clause
5 (ii) or (iii), and shall be adjusted to reflect changes
6 in the consumer price index, as defined in section
7 111(f)(4) of the Internal Revenue Code of 1986; and
8 ''(II) the term 'new production' means any pro-
9 duction from a lease from which no royalties have
10 been due on production, other than test production,
11 prior to the date of the enactment of the Outer Con-
12 tinental Shelf Enhanced Exploration and Deep
13 Water Incentives Act, or any production resulting
14 from lease development activities under a develop-
15 ment and production plan approved by the Secretary
16 under section 25 after the date of the enactment of
17 the Outer Continental Shelf Enhanced Exploration
18 and Deep Water Incentives Act.''.
19 (b) FRONTIER AREAS.—Section 18 of the Outer Con-
20 tinental Shelf Lands Act (43 U.S.C. 1344) is amended
21 by adding at the end the following new subsection:
22 ''(i) The Secretary shall, in each leasing program pre-
23 pared under this section, designate as frontier areas por-
24 tions of the outer Continental Shelf, if any, with respect
25 to which the Secretary will exercise authority under sec-

1 tion 8(a)(3)(A) to reduce, suspend, or eliminate the re-

2 quirement to pay royalties. Any such designation shall in-

3 clude a full description of the terms of such reduction, sus-

4 pension, or elimination. In designating frontier areas

5 under this subsection, the Secretary shall take into consid-

6 eration the increased capital costs associated with explo-

7 ration and development in coastal or marine environments,

8 including arctic environments, with special environmental

9 protection requirements.''.

10 **SEC. 3. REGULATIONS.**

11   (a) INCENTIVES.—The Secretary shall, within 180

12 days after the date of the enactment of this Act, issue

13 such rules and regulations as are necessary to implement

14 the amendment made by section 2(a).

15   (b) FRONTIER AREAS.—The Secretary shall, within

16 1 year after the date of the enactment of this Act, issue

17 regulations defining the term ''frontier area'' for purposes

18 of carrying out section 18(i) of the Outer Continental

19 Shelf Lands Act.

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